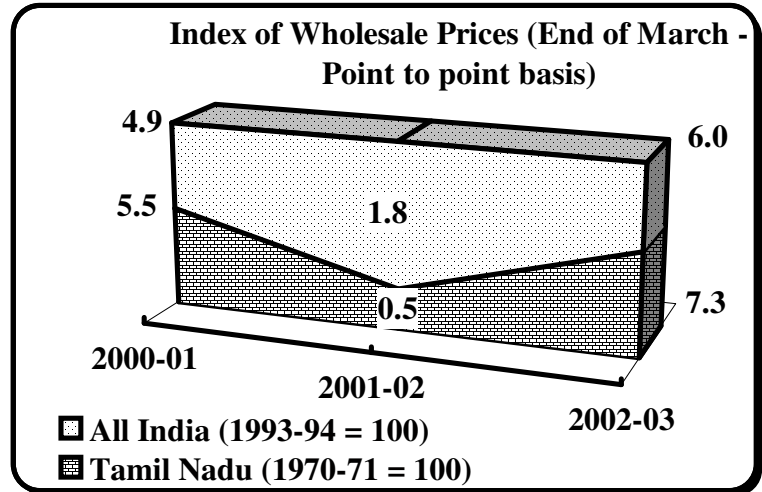


9. PRICES

The general price situation was stable both at the State and the national levels. Abundant stock of foodgrains helped to hold the price line despite a severe drop in crop production consequent to the drought situation that prevailed. International Crude Oil prices though reigned high because of tension in Gulf region, was not allowed to stoke inflation despite the dismantling of the Administered Price Mechanism in April 2002. While the Wholesale Price Index (WPI) on a point-to-point basis (end March, 2003 over end March 2002) rose by 7.3 per cent against 0.5 per cent in the preceding year in the State and 6.0 per cent at the all India level, the annual average rate of inflation was in the range of 2.7 per cent in the State and 3.4 per cent at the all India level. Another positive factor is the easing of price level at the consumer end. Consumer Price Index for Industrial Workers (CPI-IW) rose by about 5.7 per cent in Tamil Nadu and 4.1 per cent at the all India level compared to 6.0 per cent and 5.2 per cent prevailing respectively during the preceding year. Average rate of inflation was slightly higher with regard to Consumer Price Index for Agricultural Labourers (CPI-AL).



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**Table - 1 : Price Behaviour - All India and Tamil Nadu
(Point to Point Basis)
(End March)**

Year	Wholesale Price Index				Consumer Price Index - Industrial Workers (Base 1982=100)			
	Tamilnadu (Base: 1970-71=100)		All India (Base : 1993-94 = 100)		Tamil Nadu		All India	
	Index	% change	Index	% change	Index (weighted)	% change	Index	% change
2000-01	1227.7	2.5	159.1	4.9	449	0.4	445	2.5
2001-02	1234.4	0.5	161.9	1.8	476	6.0	468	5.2
2002-03	1323.9	7.3	171.6	6.0	503	5.7	487	4.1

Source: Director of Economics and Statistics, Govt. of Tamil Nadu;

Office of Economic Adviser, Govt. of India and Labour Bureau Govt. of India, Shimla.

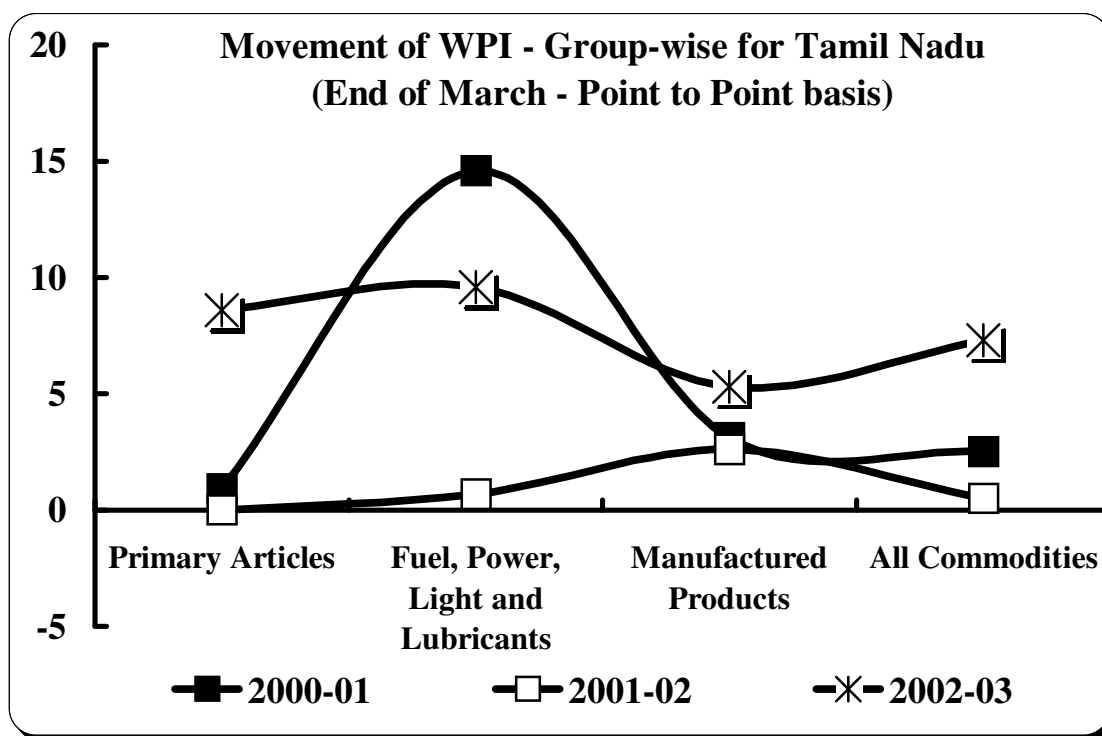
9.1. Wholesale Price Index - Group-wise Analysis:

The All Commodity Index which had a higher rate of 7.3 per cent is influenced by the behaviour of three major groups. Depending upon the assigned weights of each of the groups the degree of impact varied.

Table – 2 : Wholesale Price Index Movement - Group-wise (Point to Point Base)

Major Groups	Weight	2001-02			2002-03		
		Index	% change over the previous year	Weighted Average	Index	% change over the previous year	Weighted Average
1. Primary Articles	52.69	1208.4	(-)-1.2	(-)-111.8	1312.8	8.6	61.5
2. Fuel, Power and Light	3.26	2006.8	0.7	6.7	2199.8	9.6	7.0
3. Manufactured products	44.05	1208.4	2.6	205.1	1272.3	5.3	31.5
All-Commodities	100.00	1234.4	0.5	100.0	1323.9	7.3	100.0

The 'primary articles' group having a weight of more than fifty percent (52.69%), registered a higher increase in price level on a point-to-point basis(8.6%) . On an average



basis the increase is only 2.0 per cent. The price rise was somewhat steep in fuel, power and light group. However, its low weight in the index has made its impact less significant.

9.2. Monthly Movement of Wholesale Price Index - Tamil Nadu:

The monthly movement of the all-commodity Index on a point-to-point basis reveals that the rate of inflation was very modest for most part of the year (April-January 2002-03). Only during February and March 2003 did the prices started moving up to a level above 5 per cent.

**Table - 3: WPI of Tamil Nadu : Monthly Movement
(Point to Point basis) (Percentage change)**

Month	2000-01	2001-02	2002-03	Month	2000-01	2001-02	2002-03
April	6.9	2.6	0.6	Oct.	6.2	1.8	2.6
May	6.5	3.2	0.3	Nov.	6.6	2.4	2.3
June	8.1	2.0	0.7	Dec.	3.9	1.3	3.3
July	8.1	2.5	0.7	Jan	3.0	0.5	4.2
Aug.	7.6	2.4	1.7	Feb.	2.5	1.4	5.7
Sep.	7.1	1.8	3.0	March	2.5	0.5	7.3

9.3. Quarterly Movement of Wholesale Price Index - Tamil Nadu:

An analysis of the quarterly movement of the WPI has been done with reference to the three major group Indices during the current year 2002-03, compared to the 2001-02 . For this purpose the Index by the end of the particular quarter is compared with the corresponding quarter of the previous year. It was seen that WPI based inflation was mild during all the quarters; further easing noticed during third and fourth quarter.

**Table – 4 : Whole Price Index of Tamil Nadu
Quarter-wise Movement
(Changes over the corresponding quarter of the previous year)**

Commodity Group	2001-02				2002-03			
	I Qr.	II Qr.	III Qr.	IV Qr.	I Qr.	II Qr.	III Qr.	IV Qr.
1. Primary Articles	2.7	-	0.4	(-) 4.2	3.5	2.6	1.2	1.2
2. Fuel, Power and Light	-	-	0.7	-	2.0	2.4	2.3	2.6
3. Manufactured Products	1.8	0.4	0.3	0.1	0.9	2.3	(-) 0.1	2.0
4. All Commodities	2.2	0.2	0.4	(-) 2.1	2.3	2.5	0.7	1.6

9.4. Movement of Wholesale Price Index : Commodity Level:

The Wholesale Price Index of sub-groups and certain commodities as of March, 2003 is compared with that of March,2002. It reveals that in the 'primary articles ' group, 'non- food articles' had witnessed a steep increase of 11.5 per cent and the ' food articles' went by 7.6 per cent during the reference period. In the 'manufactured ' group , the prices of 'food products' scaled up by 24.4 per cent in the review year on top of 10.5 per cent rise obtaining in the previous year. A modest increase of 5.8 per cent was noticed in the ' textiles ' sub-group. Many of the price indices of essential commodities viz., milk, dairy products, paints, varnishes and motor cycles remained static in 2002-03. In sharp contrast to the above trend, the WPI of pulses, vegetables and tea declined. With reference to the prices of construction materials, a fall in prices of cement and unaltered situation in bricks were seen.

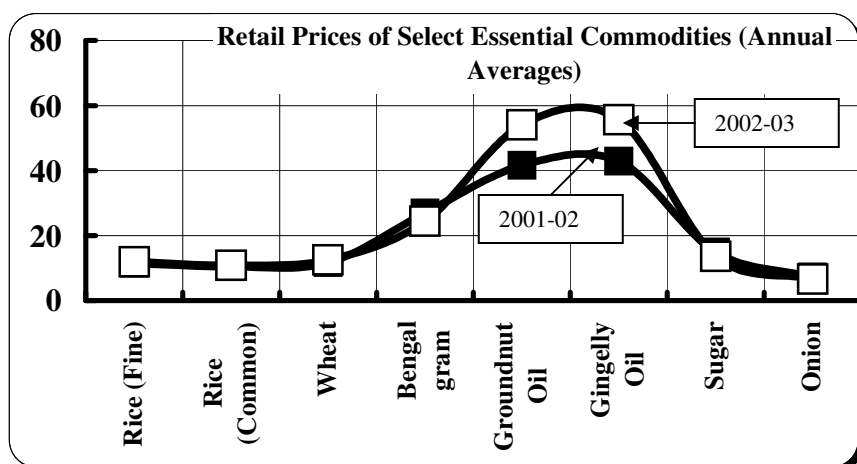
Table - 5. Wholesale Price Index Commodity-wise

Group/Sub-Group/ Commodity	Weight	Index			% Increase Over		
		Base - 1970-71 = 100			Preceding Year		
		2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
All Commodities	100.0	1227.7	1234.4	1323.87	2.5	0.5	7.2
I.Primary Articles	52.7	1222.6	1208.4	1312.81	0.9	-1.2	8.6
A.Food Articles	32.3	1339.6	1344.4	1446.25	-1.9	0.4	7.6
A.Foodgrains	12.3	1238.2	1284.9	1387.30	-2.7	3.8	8.0
1.Cereals	8.5	1040.6	1120.9	1271.38	-9.3	7.7	13.4
Rice	6.6	1069.9	1164.9	1311.93	-8.2	8.9	12.6
Wheat	0.5	1311.5	1114.2	1172.08	-4.1	-15.0	5.2
Jowar	0.7	722.4	867.3	1036.02	-23.0	20.0	19.5
2.Pulses	3.7	1690.2	1660.0	1652.17	8.4	-1.8	-0.5
Arhar	1.1	1423.2	1501.7	1594.11	-5.3	5.5	6.2
Bengalgram	1.3	1889.8	1953.9	1920.25	21.3	3.4	-1.7
B.Fruits and Vegetables	5.4	1476.2	1421.0	1540.63	5.0	-3.7	8.4
1.Vegetables	2.3	1744.3	1660.5	1770.55	11.6	-4.8	6.6
Potatoes	0.3	489.6	670.4	592.07	11.0	36.9	-11.7
Onions	0.6	2058.9	2125.0	2209.81	3.5	3.2	4.0
2.Fruits	3.1	1276.4	1242.5	1369.31	-0.9	-2.6	10.2
C.Milk	4.2	879.8	1061.6	1061.64	7.2	20.7	0.0
D.Egg, Fish and Meat	3.4	2636.6	2432.7	2718.16	-1.9	-7.7	11.7
E.Condiments and Spices	4.7	952.7	953.3	1032.33	-15.0	0.1	8.3
F.Other Food Articles	1.9	1341.6	1222.2	1228.97	-1.4	-8.9	0.6
Tea	1.0	1376.8	1364.6	1284.76	8.5	-0.9	-5.8
Coffee	0.6	791.2	655.9	749.57	-24.1	-17.1	14.3
B.Non-Food Articles	19.6	1032.7	985.7	1098.76	7.6	-4.5	11.5
1.Fibres	6.0	809.3	621.2	792.10	1.6	-23.2	27.5
Raw Cotton	5.8	827.1	622.8	800.90	1.6	-24.7	28.6
Raw Wool	0.2	383.3	581.4	581.37	0.0	51.7	0.0
2.Oil Seeds	5.4	832.5	866.9	1124.68	-2.2	4.1	29.7
Groundnut	1.0	854.9	984.9	1343.90	-5.6	15.2	36.4
Gingelly	1.1	730.3	847.7	1151.80	-10.7	16.1	35.9
3.Other Non-Food Articles	8.2	1329.3	1331.7	1306.08	15.4	0.2	-1.9
Sugarcane	3.1	1020.4	1025.2	1015.39	3.2	0.5	-1.0
C.Minerals	0.8	1160.1	1181.8	1181.76	0.0	1.9	0.0
ii.Fuels, Power & Light	3.3	1992.9	2006.8	2199.76	14.6	0.7	9.6
1.Coal Mining	0.4	2160.6	2160.6	2160.56	-87.9	729.2	0.0
2.Mineral Oils	1.2	3092.3	3022.6	3450.76	27.8	-2.3	14.2
Kerosene	0.5	2236.7	2364.0	2624.36	41.4	5.7	11.0
Petrol	0.1	2925.3	2671.8	3116.54	7.3	-5.4	16.6
Diesel Oil	0.6	3815.4	3621.3	4177.74	25.9	-5.1	15.4
3.Electricity	1.6	1128.5	1208.3	1270.83	0.0	7.1	5.2
iii.Manufactured Products	44.1	1177.2	1208.4	1272.29	3.1	2.6	5.3
A.Food Products	6.8	932.7	1030.2	1281.39	-3.9	10.5	24.4
A.Dairy Products	0.0	1465.1	1465.1	1465.12	1.2	0.0	0.0
B.Grain Mill Products	0.1	1096.5	1060.8	1154.79	1.2	-3.3	8.9
Maida	0.1	1057.7	1063.1	1106.97	-0.2	0.5	4.1
Suij	0.0	1187.2	1055.3	1266.36	4.2	-11.1	20.0
C.Bakery Products	0.2	705.6	719.4	885.79	11.3	2.0	23.1

Commodities	(1)	(2)	(3)	(4)	(5)	(6)	(7)
D.Sugar	2.1	1039.9	1066.0	1042.62	14.5	2.5	-2.2
E.Edible Oil	3.5	686.8	873.0	1293.54	-12.6	27.1	48.2
Groundnut Oil	2.7	737.7	945.3	1383.35	-11.4	28.1	46.3
Gingelly Oil	0.3	715.3	885.1	1458.46	-18.1	23.7	64.8
F.Oil Cakes	0.8	502.7	1454.8	1824.81	-67.9	189.4	25.4
G.Other Misc. Food Products	0.1	2513.3	2489.5	2300.82	-32.5	-0.9	-7.6
B.Beverages, Tobacco etc.	0.3	20961.8	21168.5	21187.11	8.1	1.0	0.1
C.Textiles	9.0	1385.7	1414.3	1495.88	-9.8	2.1	5.8
1.Cotton Textiles	7.6	1478.2	1509.4	1596.43	-11.1	2.1	5.8
2.Silk, Art Silk and Synth. Textiles	1.1	858.0	889.9	970.77	-0.9	3.7	9.1
D.Paper & Paper Products	1.1	1438.6	1417.1	1422.04	8.2	-1.5	0.4
E.Leather & Leather Products	2.4	850.0	899.7	906.37	-9.8	5.8	0.7
F.Rubber & Rubber Products	1.5	913.2	913.2	916.96	0.2	0.0	0.4
1.Tyres	1.2	890.0	890.0	892.82	-0.3	0.0	0.3
2.Tubes	0.1	946.0	946.0	992.82	13.7	0.0	4.9
G.Chemical and Chemical Products	3.4	1079.3	1071.8	1075.71	21.7	-0.7	0.4
1.Fertilisers	0.9	531.7	531.7	532.27	7.6	0.0	0.1
2.Paints and Varnishes	0.1	1873.2	1869.0	1869.16	-1.8	-0.2	0.0
3.Drugs and Medicines	0.3	1080.6	1145.1	1150.88	-12.2	6.0	0.5
H. Non-Metallic Mineral Products	1.5	1592.2	1413.7	1293.75	25.2	-11.2	-8.5
1.Bricks	0.1	2771.0	2445.0	2444.99	10.4	-11.8	0.0
2.Cement	0.9	1979.9	1705.8	1523.00	34.5	-13.8	-10.7
I.Basic Metals andAlloys	2.3	1083.3	1069.5	1085.18	21.9	-1.3	1.5
J.Machinery and Transport Eqp	11.0	942.7	981.7	1005.37	19.9	4.1	2.4
1.Machinery & Machinetools	4.9	763.3	812.7	813.69	10.8	6.5	0.1
A.Non-Electrical Tools	2.3	826.4	924.3	931.53	2.0	11.9	0.8
B.Electrical Tools	2.6	707.3	713.5	709.09	21.8	0.9	-0.6
2.Transport Equipment	6.1	1085.6	1116.4	1158.15	25.7	2.8	3.7
A.Motor Vehicles & Parts	4.3	1135.3	1176.8	1227.20	31.9	3.6	4.3
B.Motorcycles, Bicycles and Parts	1.8	967.5	973.0	993.88	11.1	0.6	2.2
I.Motor Cycles	0.5	1099.4	1160.9	1216.49	48.6	5.6	4.8
Ii.Cycles	1.1	690.9	690.9	690.85	0.0	0.0	0.0
K.Miscellaneous Products	4.9	828.3	868.4	913.64	-8.8	4.8	5.2
1.House Service Meters	2.6	806.5	806.5	806.45	0.0	0.0	0.0
2.Pencils	2.3	853.1	918.4	1034.76	-16.7	7.7	12.7

9.5. Prices of Essential Commodities: Wholesale and Retail level:

A review of the behaviour of absolute prices of essential commodities both at the wholesale and retail points is made to understand the relative movement and also the impact made on the consumers. It is found that the prices of most of the essential



commodities were within comfortable limits in 2002-03. The average price differential between the wholesale and retail prices of essential commodities ranged from 2.75 per cent in the case of gingelly oil to 39.14 per cent obtaining for banana (poovan).

Table-6
Wholesale and Retail Prices of Select Commodities (Rs/Kg)

Commodity	Wholesale Prices		Retail Prices		Col. (4) over Col. (2)	Col. (5) over Col. (3)
	2001-02	2002-03	2001-02	2002-03		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rice-Fine	10.61	10.91	11.48	11.95	8.20	9.53
Rice-Common	9.71	9.92	10.5	10.88	8.14	9.68
Wheat	10.13	11.23	11.67	12.54	15.20	11.67
Ragi	5.97	6.63	7.18	7.8	20.27	17.65
Bengalgram	24.88	21.96	26.96	24.41	8.36	11.16
Redgram Dhal	23.64	25.54	25.72	27.82	8.80	8.93
Groundnut Oil	38.99	50.97	41.61	54.01	6.72	5.96
Gingelly Oil	40.94	54.14	42.83	55.63	4.62	2.75
Coconut Oil	40.09	55.9	44.21	58.82	10.28	5.22
Gur I Sort	12.99	11.73	14.59	13.8	12.32	17.65
Sugar	14.4	13.05	14.89	13.61	3.40	4.29
Chillies	31.77	35.48	33.85	37.97	6.55	7.02
Corriander	32.98	29.8	35.96	32.67	9.04	9.63
Turmeric	19.64	32.51	28.42	41.24	44.70	26.85
Garlic	38.41	35.12	42.77	39.17	11.35	11.53
Tamarind I Sort	24.25	23.04	26.8	26.08	10.52	13.19
Potato	7.4	7.35	9.82	9.37	32.70	27.48
Onion Bellary	5.79	5.32	7.3	6.63	26.08	24.62
Tomato	7.97	6.13	9.51	7.78	19.32	26.92
Banana-Poovan (per dozen)	5.93	6.08	9.85	8.46	66.10	39.14
Milk (per litre)			12.08	12.75		

Source: Director of Economics and Statistics, Chennai

Box
Sensitivity of WPI & CPI - A Comparison:

The most widely used Price Index, WPI is an indicator of the movement of Wholesale Prices of 177 most commonly traded commodities. WPI is the only Index available on a weekly basis with the shortest time lag of two weeks. The base year of WPI for Tamil Nadu is 1970-71.

The CPI - IW is constructed on a monthly basis and is available with a time lag of one month. The Index measures the price changes at the retail level covering 260 items of consumption. Data are compiled from the price quotations collected from 70 centres in the country. The base year for the index is 1982. Since these two indices differ conceptually in terms of purpose and use, commodity coverage, weighting diagram, associated markets and the base year, some degree of difference between these two indices are unavoidable.

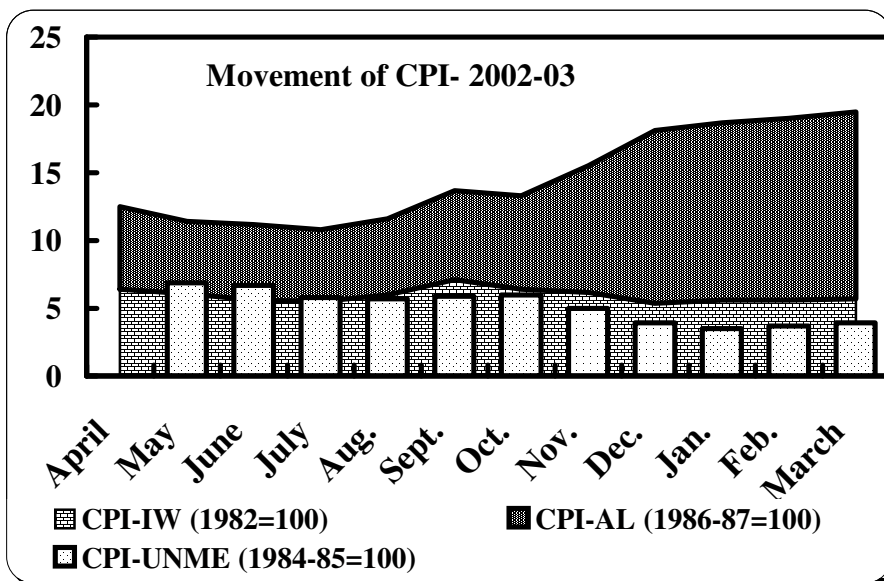
In the weighting diagram also a difference is noticed. While 'food' gets the maximum weight of 57 per cent in the CPI (IW) series, food articles in the primary articles group and food products in the manufacturing group had a total weight of 39.1 per cent in WPI. The CPI - IW series is therefore more sensitive to changes in prices of food articles. The fuel group is assigned a lower weight of 3.3 per cent in WPI against 6.28 per cent in CPI-IW. International price movements in crude oil would have greater bearing on CPI than WPI. A major sub-group in the miscellaneous group includes services like transport, education, health, etc. do not get reflected in WPI series. Differences in inflation rate in these two series could therefore also be on account of price movement at the services sector which gets captured in the CPI-IW based inflation rate.

Source: Economic Survey, 2002-03, GOI.

9.6. Movement of Consumer Price Indices (CPIs): Error!

The softening of inflation with respect to CPI was evident in all categories except for agricultural

labourers. CPI for Industrial Workers and that for urban non-manual employees showed a modest increase. However, in respect of CPI-Agriculture Labourers it rose from 6.1 per cent in April 2002 to 13.8 per cent in March 2003. In respect of other two indices a easing effect was noticed at the end of



the year.

Table – 7 : Consumer Price Indices of Tamil Nadu

Months	2001-02			2002-03		
	CPI-IW (1982=100)	CPI-AL (1986- 87=100)	CPI- UNME (1984- 85=100)	CPI-IW (1982=100)	CPI-AL (1986- 87=100)	CPI- UNME (1984- 85=100)
April	0.2	(-)2.3	5.0	6.4	6.1	7.3
May	0.8	(-)1.3	5.3	6.1	5.3	6.9
June	2.3	(-)1.0	6.0	5.6	5.6	6.7
July	2.7	1.3	6.4	5.5	5.3	5.8
August	3.7	2.0	6.2	6.0	5.6	5.7
September	2.8	2.0	6.0	7.1	6.6	5.9
October	1.8	2.0	4.7	6.4	6.9	6.0
November	1.8	3.0	5.6	6.2	9.3	5.0
December	4.2	5.0	6.6	5.4	12.7	3.9
January	4.4	5.4	6.0	5.6	13.1	3.5
February	5.7	6.1	6.6	5.6	13.4	3.7
March	6.0	5.4	7.2	5.7	13.8	3.9

9.6.1.Consumer Price Index for Industrial Workers(CPI-IW):

The Consumer Price Index for Industrial Workers for the State (weighted average of the six centres) at 476 by the end of March 2002 had risen to 503 during 2002-03, registering 5.7 per cent increase against 6.0 per cent recorded during 2001-02. A slower pace of increase was noted at the all-India level compared to that of the State. During 2002-03, among the six Centres of Tamil Nadu, Coimbatore had a faster rate of increase (8.9%) while Salem Centre had the lowest rate (3.3%). Coimbatore and Coonoor centre had crossed the State average rate of 5.7 per cent.

**Table – 8 : Consumer Price Index for Industrial Workers : Centre-wise
(Point to Point Basis) (Base : 1982= 100) (End March)**

Year	Chen- nai	Coimba- tore	Coonoor	Salem	Tiruchi	Madurai	Tamil Nadu	All India
Weight	3.47	1.89	1.54	1.16	1.35	1.51	10.92	100.0
2001-02	503 (7.0)	451 (4.4)	458 (6.8)	454 (5.3)	512 (10.3)	451 (2.3)	476 (6.0)	468 (5.2)
2002-03	525 (4.4)	491 (8.9)	492 (7.4)	469 (3.3)	541 (5.7)	472 (4.7)	503 (5.7)	487 (4.1)

Figures in brackets indicate percentage change over the corresponding period of the previous year.

Source: Labour Bureau , Government of India, Shimla.

9.6.2.Consumer Price Index for Agricultural Labourers (CPI-AL):

The Consumer Price Index for Agricultural Labourers with 1986-87 base indicates a high order increase of 13.8 per cent during 2002-03 (on a point to point basis) against 5.4 per cent of 2001-02. A surge of 12.7 per cent occurred during December 2002 has initiated

the two digit level increase, which continued thereafter till the end of the year. Against this situation at the all-India level a modest 4.9 per cent alone was witnessed in 2002-03 against 3.0 per cent in 2001-02,. The Index became dearer even if we go by the average basis : 8.5 per cent in the State and 3.2 per cent in the Centre.

**Table - 9 : Consumer Price Index for Agricultural Labourers
(Base : 1986 - 87 = 100)**

	2001-02		2002-03	
	Average	End March	Average	End March
Tamil Nadu	307 (2.3)	311(5.4)	333 (8.5)	354(13.8)
All-India	309 (1.3)	309(3.0)	319 (3.2)	324(4.9)

*Figures in brackets indicate percentage change over the corresponding period of the previous year.
Source: Labour Bureau , Government of India, Shimla.*

9.6.3.Consumer Price Index for Urban Non-manual Employees:

The Consumer Price Index for Urban Non-manual Employees with 1984-85 base is being collected in 59 Centres at the national level by the CSO. By the end of the year 2002-03 (on a point to point basis), the rate of increase was at a subdued 3.7 per cent against 7.2 per cent in the corresponding period of the previous year. The inflationary rate at the national level just was a shade higher than that of State. In Tamil Nadu five centres are being observed for the Index compilation. The Index for the Coimbatore Centre had accelerated by 5.2 per cent while the other centres had eased.

**Table - 10 : CPI for Urban Non-Manual Employees
Centre-wise (Base : 1984-85 = 100)**

Centre	Weight	2001-02		2002-03	
		Index	% change	Index	% change
Chennai	3.86	474	10.0	492	3.8
Coimbatore	1.61	460	4.1	484	5.2
Salem	1.42	437	5.0	456	4.3
Trichirappalli	1.83	429	7.8	447	4.2
Madurai	1.80	448	4.9	459	2.5
Tamil Nadu	10.53	455	7.2	472	3.7
All India	100.00	395	4.8	410	3.8

Source: Central Statistical Organisation (PCL Unit), Government of India.